



OFFICE OF
INSURANCE COMMISSIONER

REPLY TO:
OLYMPIA OFFICE
INSURANCE BUILDING
OLYMPIA, WASHINGTON 98504
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B U L L E T I N

NO. 82 - 7

October 12, 1982

Subject: WAIVER OF SMALL PREMIUM ADJUSTMENTS--PROPERTY & CASUALTY
INSURANCE

A number of rating plans and manuals filed with us contain rules that waive the collection or refund of small premium amounts that result from coverage changes. Such rules are probably justified on the basis of the disproportionate cost involved in collecting or refunding a small amount of money.

Unfortunately, many of these rules are invalid because they are not supported by proper policy contract provisions. Indeed, to the contrary, contracts typically say that their terms cannot be changed or waived except by endorsement issued by the company, and specifically state that any premium refund due an insured will be made.

A company may waive its right to a small additional premium, but it may not unilaterally waive the insured's right to the refund, nor may it rely upon a manual rule to do so.

If a company currently has an approved premium waiver rule in our state, it must be supported by appropriate authorizing language in the policy forms. If this is not the case, the rule must be withdrawn.

We will expect all companies to make the necessary changes in their filings by June 1, 1983. If this is not done, action will be initiated to withdraw the forms to which such rules apply.

DICK MARQUARDT
Insurance Commissioner